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IN THE

Supreme Court of the United States

THE AMERICAN BRAKE SHOE AND FOUNDRY COMPANY,

Petitioner,

against

ALLTEX PRODUCTS CORPORATION,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT, AND BRIEF IN SUPPORT THEREOF

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PETITION FOR WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT

To the Honorable, the Chief Justice of the United States, and the Associate Justices of the Supreme Court of the United States:

The American Brake Shoe and Foundry Company, petitioner, prays for a writ of certiorari to review a judgment of the United States Circuit Court of Appeals for the Second Circuit entered March 20, 1941 (R. 2091), affirming a judgment entered June 20, 1940, by the United States District Court for the Southern District of New York, dismissing the complaint after a trial on the merits (R. 31).

STATEMENT OF THE MATTER INVOLVED

The action is for unfair competition, and infringement of the trade-mark "American Brakeblok", registered under

the Trade-Mark Act of March 19, 1920 (U. S. C. A. Tit. 15, Secs. 121 and following), and of its abbreviations "Brakeblok" and "Brake Block" (R. 6). The product to which the mark is applied is brake lining in long, narrow strips for passenger automobiles (R. 4) as distinguished from the short, thick blocks known in the trade as "brake blocks" which are used only "for the heavy work of buses and trucks" (R. 2086). Designed for the great heat generated in brakes of heavy duty vehicles, brake blocks are not interchangeable with passenger car lining, either in form or function (R. 691-2), and their use is confined to one per cent of the motor vehicles produced in the United States (Exs. 19, 62a, 63; R. 561, 564-6, 709-10, 719). As the Court of Appeals said: "the controversy does not concern them" (R. 2087), but only the brake lining used on passenger cars.

Plaintiff complains of the defendant's use of "National Brake Block" as a trade name for its passenger car brake lining, which results in the passing off of the defendant's lining for the plaintiff's by retail dealers (R. 6). Defendant's product, introduced as "Alltex Brake Lining" (Ex. 31; R. 1120), changed its name, by a gradual metamorphosis in which "Alltex" became "National" and "Brake Lining" became "Brake Block", emerging as "National Brake Block", in script type (Exs. 31-33) immediately subsequent to the time plaintiff changed from block type to script (Ex. 120).[1] The new name was adopted with the knowledge of the defendant's officers that "American Brakeblok" was the plaintiff's "trade name" (R. 1122-3, 1192). Indistinguishable from "American Brakeblok"

[1]The marks are illustrated, *post* p. 24.

when affixed to brake shoes (R. 856, 859, 1030), "National Brake Block" is sold without consumer advertising (R. 484), at prices below the plaintiff's product (R. 1303, 773-4, 795-6, 817), and has enjoyed increased sales under the new name (R. 1094).

The District Court found:

> "The plaintiff has established a secondary meaning of *'American Brakeblok'* as indicating that it is the maker of the goods so marked" (R. 30).

The Court of Appeals held that its abbreviation, "Brake Block", had likewise acquired such a meaning, stating:

> "there are a substantial number of people who understand 'brake block' to mean the plaintiff's linings" (R. 2089), and
>
> "there are (car) owners who prefer the plaintiff's linings and expect to get them when they ask for 'brake block' " (R. 2090; interpolation ours).

Continuing, the Court of Appeals said:

> "Apparently, unscrupulous dealers substitute the defendant's linings for the plaintiff's when they know that the owner wants the plaintiff's; and indeed there is some evidence that the defendant's own salesmen have advised dealers to do just this" (R. 2089).

The evidence to which the Court alludes is the sale of "National Brake Block" on orders for "American Brakeblok" (Exs. 88, 91, 104) and "Brakeblok" (Exs. 82, 85-87), and the avowal of defendant's salesmen, called as wit-

nesses for the defendant, that they advised dealers that if they receive a call for "Brake Block" lining "it is all right for them to deliver National Brake Block" (R. 1316, 1319). Far from disavowing these proposals of its salesmen, defendant ratified and defended them as being proper when made, and proper to be repeated, not only by salesmen, but in the trade name on the label (R. 1502-3).

Upon the foregoing facts, the plaintiff urged upon the Trial Court the applicability to this case of the Federal Trade-Mark Act of 1920, the effect of that Act, and the principle of secondary meaning, as stated by this Court in *Armstrong Paint & Varnish Works* v. *Nu-Enamel Corporation,* 305 U. S. 315; pointing out that "Brake Block", like "Nu-Enamel", had acquired a secondary meaning as the trade name of the plaintiff's goods; that "American Brakeblok" (abbreviated "Brake Block" by car owners and dealers; R. 2089, 2090), like "Nu-Enamel", was registered under the Trade-Mark Act of 1920; and that "National Brake Block" was passed off on calls for "American Brakeblok" (R. 88, 91, 104) and "Brakeblok" (R. 82, 85-87), just as "Armstrong's New Beauty Enamel" was passed off on calls for "Nu-Enamel". Plaintiff, therefore, prayed for the relief approved by this Court under the same circumstances in the *Nu-Enamel* case (305 U. S. 315, 335), namely, an injunction against the use of "Brake Block", in a denominative way, as the dominant part of the trade name of the defendant's brake lining.

The Trial Judge said he found the decision of this Court in the *Nu-Enamel* case "extremely difficult to understand" (R. 1485), and most of the argument was devoted to a colloquy between the Court and counsel as to its meaning (R.

1445-51, 1471-1500). In the end, the Court disapproved it, stating:

> "There has been a new deal, or I might say a Nu-Enamel in trade-marks" (R. 1471).
>
> * * * * *
>
> "I think that is a very extraordinary decision myself. I do not think I would agree with it at all if the Supreme Court had not been in on it. If it came from the Seventh Circuit, I don't think I would pay any attention to that decision whatever" (R. 1489).

As the *Nu-Enamel* case is simply a restatement of the law of secondary meaning, as applied to descriptive words, the Trial Court's disagreement with the decision is a disagreement with the principle itself. Declining to receive proposed findings, the District Court dismissed the complaint, and made its own findings and conclusions, with the observation:

> "For the form of these findings, I am following *Armstrong Co.* v. *Nu-Enamel Corp.*, 305 U. S. 315, at 321" (R. 28).

The findings which were followed, however, were not those approved by this Court, but by the District Court for the Northern District of Illinois, Eastern Division, upon which the Circuit Court of Appeals of the Seventh Circuit reversed (95 Fed. (2d) 448). This Court affirmed the judgment of the Circuit Court of Appeals (305 U. S. 315).

Without citing or referring to the *Nu-Enamel* case, the Court of Appeals here affirmed, on the grounds:

(1) The defendant's product reaches the car owner affixed to brake shoes by garage keepers, with the label, "National Brake Block", removed. Therefore, said the Court: "If a dishonest repair shop or service station has meanwhile substituted the defendant's lining, the defendant's use of the word 'brake block' has not helped him in the fraud" (R. 2090).

(2) "To succeed, the plaintiff was therefore bound to show that repair shops or service stations were deceived, and that it failed to do" (R. 2090).

(3) "There is no evidence to impute to the defendant the proposals of some of its salesmen that dealers should fraudulently substitute the defendant's linings for the plaintiff's" (R. 2090).

THE GROUNDS UPON WHICH THE JURISDICTION OF THIS COURT IS INVOKED

The jurisdiction of this Court to grant a writ of certiorari is invoked under Tit. 15, Sec. 97 of the Trade-Mark Act of 1905, and Tit. 28, Sec. 347 of the Judicial Code. Original jurisdiction arises from diversity of citizenship (U. S. C. A. Tit. 28, Sec. 41), the Trade-Mark Act of 1920) (*Ibid,* Tit. 15, Secs. 121 and following), and the requisite amount in controversy.

The case believed to sustain the jurisdiction of this Court to grant a writ of certiorari in the present case is *Armstrong Paint & Varnish Works* v. *Nu-Enamel Corporation,* 305 U. S. 315. The refusal of the Courts below to follow it is the principal ground for this petition.

THE QUESTIONS PRESENTED

Four fundamental questions in the law of unfair competition and trade-marks are presented:

(1) Whether it is not incumbent upon the lower Federal Courts to follow the decisions of this Court in the interpretation of Federal Statutes? In this case, the Circuit Court of Appeals failed to give effect to the Trade-Mark Act of 1920 as construed in *Armstrong Paint & Varnish Works* v. *Nu-Enamel Corporation,* 305 U. S. 315, and the District Court disagreed with that decision. The applicable portions of this Act are printed in the appendix, page 25.

(2) Whether the principle, heretofore declared by this Court, that "One who induces another to commit a fraud, and furnishes the means of consummating it, is equally guilty and liable for the injury" (*Warner & Co.* v. *Eli Lilly & Co.,* 265 U. S. 526, 530), is rendered inapplicable by the fact that retail dealers remove the fraudulent label before passing off defendant's goods on consumers as the plaintiff's?

(3) Whether, to succeed, the plaintiff in an unfair competition and trade-mark case is bound to show the deception of retail dealers?

(4) Whether a manufacturer of brake lining bearing a trade name, which is deceptively similar to the plaintiff's, is responsible for "the proposals of some of its salesmen that dealers should fraudulently substitute the defendant's linings for the plaintiff's" (R. 2090), especially when it approves and defends them?

THE REASONS RELIED ON FOR THE ALLOWANCE OF THE WRIT

The Court below has decided all these questions contrary to the fundamental law of unfair competition and trade-marks as heretofore laid down by this Court.

I. It has found the facts which require the relief approved in *Armstrong Paint & Varnish Works* v. *Nu-Enamel Corporation,* 305 U. S. 315, 335, but has denied it. In the *Nu-Enamel* case, it was said (p. 322):

> "We granted certiorari on account of the importance in trade-mark law of the issues of the descriptive character of the mark and the effect of its acquired meaning under the Trade-Mark Act of 1920."

Exactly the same reasons exist in this case, except that here there are the following additional reasons: (1) The District Judge has disapproved of that decision; (2) The Circuit Court of Appeals has tacitly sanctioned this disapproval; (3) The Court of Appeals has denied the relief required by the *Nu-Enamel* case, on grounds held untenable by this Court in other cases hereinafter considered.

II. In *Warner & Co.* v. *Eli Lilly & Co.,* 265 U. S. 526, 530, this Court laid down the rule that "One who induces another to commit a fraud, and furnishes the means of consummating it, is equally guilty and liable for the injury". Under similar circumstances, the same principle was applied in *Coca-Cola Co.* v. *Koke Co.,* 254 U. S. 143, 255 Fed. 894, 235 Fed. 408; *Coca-Cola Co.* v. *Gay-Ola Co.,* 200 Fed. 720, cert. den. 229 U. S. 613 (approved in *Warner & Co.*

v. *Eli Lilly & Co.*, 265 U. S. 526, 530); *Federal Trade Commission* v. *Algoma Lumber Co.*, 291 U. S. 67. The facts upon which this principle was thus declared are identical with those upon which the Court of Appeals declined to follow it in the present case; that is, the imitation goods were removed from the manufacturer's original package by retail dealers, and passed off without the manufacturer's label.

III. This Court has long held that it is unnecessary to show actual deception of retail dealers, or any one (*Warner & Co.* v. *Eli Lilly & Co.*, 265 U. S. 526, 530; *Federal Trade Commission* v. *Winsted Hosiery Co.*, 258 U. S. 483, 493), but only the "tendency or likelihood" of deception of the "ordinary purchaser" (*McLean* v. *Fleming*, 96 U. S. 245, 256; *Amoskeag Mfg. Co.* v. *Trainer*, 101 U. S. 51, 56, 63). In the present case, the Court of Appeals has found the facts which establish the likelihood of deception of both ordinary purchasers and retail dealers, but has refused to grant the relief that such a finding requires.

IV. In refusing to hold the defendant responsible for the fraudulent proposals of its salesmen, the Court of Appeals has contravened the decision of this Court in *Warner & Co.* v. *Eli Lilly & Co.*, 265 U. S. 526, where a manufacturer was held liable for proposals of this kind. It, likewise, has violated the elementary rule of agency that a principal is liable for the acts of its agents within the scope of their apparent authority, especially when the principal approves, defends and clings to the benefits of their fraudulent conduct.

V. This defendant made the same fraudulent proposal to dealers by a deceptive trade name on its label that the

Court below condemned its salesmen for making orally. Therefore, the right to the relief sought is implicit in the opinion of the Court of Appeals. Failure to give it, disregards principles of trade-mark law hitherto considered established, and will result in doubt and uncertainty in the business community concerning rights in trade-marks, and the usefulness of Federal Statutes designed to protect them.

WHEREFORE, your petitioner respectfully prays that this petition for review on writ of certiorari to the United States Circuit Court of Appeals for the Second Circuit be granted.

Respectfully submitted,

EDWARD S. ROGERS,
Attorney for Petitioner.

May 29, 1941.